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EXCEPTION

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AZ CORP COMMISSION
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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR A HEARING
TO DETERMINE THE FAIR VALUE OF
THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN

Docket No. E-01345A-08-0172

EXCEPTIONS/RECOMMENDATIONS
OF FREEPORT-MCMORAN COPPER
& GOLD INC. AND ARIZONANS FOR
ELECTRIC CHOICE AND
COMPETITION

Freeport-McMoRan Copper & Gold Inc. and Arizonans for Electric Choice and Competition (hereafter collectively "AECC") hereby submit their Exceptions/Recommendations in connection with the above-captioned matter.

AECC has reviewed the Recommended Opinion and Order ("ROO") and has no suggested changes to the language in the ROO's Conclusions, Findings of Fact, Conclusions of Law or proposed ordering paragraphs.

However, AECC requests that the ROO's discussion of support for the Settlement Agreement be expanded by including a brief discussion of the benefits of the Agreement that were expressly identified by AECC in the record of the proceeding. To that end,

1 AECC recommends that the section of the ROO entitled "Benefits of the Settlement
2 Agreement as Identified by the Parties" (pp. 16-30) be amended to incorporate the
3 following passage:

4 "AECC

5 AECC is a business coalition that advocates on behalf of retail electric
6 customers in Arizona. AECC supports adoption of each provision in the
7 Agreement as part of a total package.

8 AECC's witness, Kevin C. Higgins testified that the Settlement
9 Agreement produces just and reasonable rates and is in the public interest. Mr.
10 Higgins further testified that the Settlement Agreement strikes the appropriate
11 balance between customer interests and utility interests, stating that its
12 adoption would provide APS an opportunity to improve its financial condition
13 while being fair to customers by not increasing rates any more than is
14 absolutely necessary.¹

15 Among the benefits of the Settlement Agreement cited by AECC are:

- 16 • The base rate stability attained by the "stay-out" prohibiting APS
17 from filing its next two general rate cases prior to June 1, 2011
18 and June 1, 2013, respectively, such that that no new base rates
19 will be effective prior to July 1, 2012;
- 20 • The resolution of the important issues of revenue spread and rate
21 design in a just and equitable manner, including the assurance
22 that higher-load-factor and lower-load-factor customers on Rates
23 E-34, E-35, and E-32-L will receive the same percentage base
24 rate increase;

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26


¹ AECC Exhibit 1, p. 3, 11.7-10 (Settlement testimony of Kevin C. Higgins).

- The commitment for APS to make a minimum of \$700 million of equity infusions through 2014 and the obligation of the Company to undertake best efforts to attain an equity-to-total-capital ratio of 52 percent by the end of 2012, which supports the objective of improving APS's financial condition;
- The potential for Systems Benefits Charges to customers to be reduced in 2012 if a Palo Verde license extension is approved prior to the conclusion of the next rate case, which AECC states would produce an annual revenue requirement benefit for customers;
- The requirement of APS to work with Staff and other interested parties to develop an Interruptible Rate Rider for Rate E-34 and E-35 customers, which AECC believes can provide a cost-effective means for utilities to obtain reliable capacity; and
- The advancement of self-direction of DSM investments by larger customers, which AECC views to be an essential component of APS's DSM efforts going forward."

AECC requests that the Recommended Opinion and Order be amended to incorporate the passage set forth above.

RESPECTFULLY SUBMITTED this 24th day of November 2009.

FENNEMORE CRAIG, P.C.

By 

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2 **FILED** this 24th day of November 2009 with:

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